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Experts recommend \$159 million in cuts at Bonneville Power Administration, including possible nuclear plant closure

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[Northwest Power Planning Council](#)
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FOR MORE INFORMATION: contact John Harrison at the Northwest Power Planning Council, 800-222-3355
or [Perry Gruber](#) at the Bonneville Power Administration, 503-230-5359.

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PORTLAND, Ore. — A committee of experts in corporate financial management and energy policy says the Bonneville Power Administration should cut staff, market the power from the region's only operating nuclear plant separately or close it if it can't produce power at a competitive price, and take steps to improve the productivity of the region's hydroelectric system.

These and other cuts would shave about \$159 million from Bonneville's annual \$2.3 billion budget, help the federal power marketing agency reduce the price of its electricity and attract customers after 2001, when 90 percent of its existing power sales contracts expire. The recommended cuts would be in addition to \$89 million in cuts already planned by Bonneville for the period 2001-2006.

The recommendations are included in a draft report the 11-member Bonneville Cost Management Committee released today for public comment. Comments will be accepted through February 20.

"These savings, when achieved, will retain the benefits of the Columbia River power system for citizens of the Pacific Northwest and also provide price certainty to Bonneville's customers and assure its creditors that Bonneville can pay its bills," said Committee Chairman Todd Maddock of Lewiston, an Idaho member of the Northwest Power Planning Council.

The Cost Review panel determined that by far the single biggest savings could accrue through greater coordination in managing the 29 dams of the federal hydropower system in the Columbia River Basin. Currently, Bonneville funds the bulk of the system's operation, but decisions about its management are made independently by three different agencies -- Bonneville, the Corps of Engineers and the Bureau of Reclamation, and this results in inefficiencies and unnecessary costs. The potential annual savings amount to \$40 million for the Corps of Engineers, and \$8 million for the Bureau of Reclamation.

"BPA appreciates the work that has been done so far by the five private citizens who have been the driving force behind these draft recommendations," said Jim Curtis, Bonneville's Senior Vice President

of Business Services and Chief Financial Officer. "The Cost Review panel has taken a broad and aggressive approach to these issues, and deserves commendation for its efforts. BPA will consider each recommendation very seriously."

The committee's recommendations include:

- *Washington Nuclear Plant 2*: The Washington Public Power Supply System, the plant's owner and operator, should cut the cost of the plant's electricity from about 2.4 cents kilowatt hour to 1.9 cents by the year 2000. Bonneville helps finance the plant and currently is its only customer. Estimated annual savings: \$19 million. Meanwhile, Bonneville should investigate three future alternatives for the plant: 1) continue selling power solely to Bonneville; 2) sell the power on the open market, in competition with other energy suppliers; or 3) shut down the plant if it can't compete.
- *Energy conservation and renewable energy*:
 1. End funding for regional market transformation activities -- promoting energy-efficient products and services -- after 1999. Estimated annual savings: \$14.6 million.
 2. Reduce conservation staff when existing conservation contracts expire. Estimated annual savings: \$4.5 million.
 3. Make no long-term commitments to renewable energy projects beyond those currently planned. Estimated annual savings: \$3.3 million.
- *Power system cost management*: Initiate a cost management strategy involving Bonneville, the Corps of Engineers and Bureau of Reclamation, which operate the federal dams. Estimated savings: \$48 million (Corps, \$40 million, Bureau, \$8 million).
- *Shrink the marketing department*: 1) Reduce staff and expenses associated with power marketing a related activities. Estimated annual savings: \$14.7 million.
- *Cut overhead costs*:
 1. Reduce corporate overhead costs by 50 percent from 1996 levels in areas including business services, planning, public affairs and legal services, among others. Estimated annual savings: \$32 million.
 2. Pursue legislative changes in procurement and personnel laws to improve administrative effectiveness and efficiency. Estimated annual savings: \$10 million.
- *Northwest Power Planning Council*: Reduce staff to reflect a changed power planning role, change law to require one Council member from each state instead of two. Estimated annual savings: \$1.7 million.
- *Transmission*:
 1. Change certain cost allocations between the transmission and power marketing business lines. Estimated annual savings: \$30 million.
 2. Reduce internal overhead costs. Estimated annual savings: \$2.5 million.
- *Fixed costs*: Further reduce nonfederal debt service through such actions as bond refinancing. Estimated savings: \$20 million.

The Bonneville cost review grew out of the 1996 Comprehensive Review of the Northwest Energy System, a year-long effort initiated by the governors of Idaho, Montana, Oregon and Washington. In that review, a 20-member committee recommended ways the Northwest could take advantage of increasing

electricity industry competition and also retain the benefits of the federal Columbia River power system. One key recommendation was to market Bonneville's power long-term to regional customers.

Following the Comprehensive Review, the governors asked the Power Planning Council to work with Bonneville to appoint a cost-review committee. The work began last June. The committee included four Council members, two representatives from Bonneville and five experts in corporate management and finance.

The committee will seek public comments on its draft report through February 20 and submit its final report to the Bonneville administrator, the four Northwest governors and the Northwest congressional delegation on March 16. Two public meetings are scheduled: Monday, February 9 at 9:30 a.m., at the Council's headquarters in Portland, and Wednesday, February 11 at 10 a.m., at the West Coast Ridpath Hotel in Spokane.

For a copy of the Cost Management Committee's report, contact the Power Planning Council, 800-222-3355, or Bonneville, 503-230-5359, or visit the Council's World Wide Web site, www.nwppc.org and click on Bonneville Cost Review.

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